

AUTHORIZING THE SALE OF TRANSPORTATION BONDS

BRIEFING PAPER

Prepared for the

MAY 2005 TRANSPORTATION COMMISSION MEETING

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PURPOSE:

The Department of Transportation requests the Commission Chair assume the authority to request the State Finance Committee to sell bonds as authorized by the legislature to fund appropriations in the 2005-07 Transportation Budget and to provide official intent that all or part of the transportation bonds shall be issued as reimbursement bonds.

The Commission is requested to approve Commission Resolution xxx.

BACKGROUND:

One of the powers, functions, and duties of the Transportation Commission is to approve the issuance and sale of all bonds authorized by the legislature for capital construction of state highways (RCW 47.01.071(6)).

Typically at the onset of a new biennium, the Department of Transportation presents to the Commission a listing of the bond sales needed to support the appropriations in the budget. In the past, the Commission has been asked to delegate to the Secretary of Transportation the responsibility of determining the timing and amounts of the bond sale requests made to the State Finance Committee.

With the passage of ESB 5513, the option to delegate to the Secretary has been repealed. The Department instead asks that the Commission Chair assume this responsibility of requesting the timing and amounts of the bond sales to the State Finance Committee.

DISCUSSION:

The State Finance Committee is scheduled to meet on July 12, 2005 and will adopt a resolution stating the intent of the State of Washington to sell bonds with proceeds to be delivered in August 2005. This will be the first bond sale with proceeds funding expenditures appropriated by the legislature for the 2005-07 biennium. The next scheduled bond sale will likely be in February 2006.

The Department is developing monthly cash-flow analyses based upon the expected revenue deposits and expenditures to determine the size of the August bond sale. The request to sell bonds in August from the Commission Chair to the State Treasurer, as the State Finance Committee Chair, needs to be prepared by June 1, 2005.

RECOMMENDATION:

Approve Commission Resolution 671.

Resolution 671 authorizes the Commission Chair to request the State Finance Committee to sell bonds at times and amounts necessary to fund appropriations specified in 2005-07 Transportation Budget.

The Department must adhere to specific federal tax regulations to issue tax-exempt bonds. Regulation 1.150-2 of the IRS code requires the department to officially declare its intent to use bond proceeds to reimburse past expenditures. Resolution xxx provides the IRS with the official intent necessary for the Washington State Treasurer to sell reimbursement bonds.

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